

Message Text

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ACTION SS-15

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 PA-01 PRS-01

USIA-06 NSC-05 AGR-05 IO-11 /094 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 537

C O N F I D E N T I A L SECTION 1 OF 2 EC BRUSSELS 01586

E.O. 11652: GDS

TAGS: OVIP, EEC

SUBJECT: VISIT OF EC COMMISSION PRESIDENT TO WASHINGTON: SUBSTANCE
OF THE CONVERSATIONS

REF: (A) EC BRUSSELS 949, (B) EC BRUSSELS 1938, (C) EC BRUSSELS
731, (D) STATE 29348

1. BEGIN SUMMARY: COMMISSION PRESIDENT ORTOLI'S CHEF DU
CABINET DE MARGERIE HAS GIVEN US RUNDOWN ON SUBJECTS ORTOLI
WANTS TO COVER DURING HIS WASHINGTON VISIT. ORTOLI WILL BE ARRIVING
IN WASHINGTON AT A TIME WHEN THE EUROPEAN COMMUNITY HAS BEEN
CHALLENGED BY BELGIAN PRIME MINISTER TINDEMANS' SUGGESTIONS FOR
COMMUNITY REFORM; WHEN THE EUROPEAN ECONOMIES ARE ONLY
UNSTEADILY BEGINNING TO CLIMB OUT OF THE RECESSION; WHEN FOR THE
FIRST TIME SINCE THE 30'S REGIMES IN SPAIN AND PORTUGAL
ARE TRYING TO COPE WITH SIGNIFICANT CHANGE OR INSTABILITY;
WHEN THE FUNDAMENTAL RELATIONSHIP OF THE INDUSTRIAL AND
UNDER-DEVELOPED WORLD IS BEING EXAMINED BY ONE
INTERNATIONAL FORUM AFTER ANOTHER; AND WHEN TRADE ON BOTH SIDES
IS THREATENED BY PARTICULAR ACTIONS THAT COULD HAVE HEAVY
POLITICAL REPERCUSSIONS. WE EXPECT ORTOLI TO RAISE ALL OF
THESE ISSUES AT ONE OR OTHER OF THE MEETINGS HE WILL HAVE
WITH THE PRESIDENT AND OTHER US OFFICIALS. WE RECOMMEND THE MEETINGS
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BE USED PRIMARILY TO GIVE ORTOLI A CANDID ASSESSMENT OF HOW

WE VIEW THESE ISSUES AND WHAT HE HOPE THE EC AND WE CAN DO ABOUT THEM. END SUMMARY.

2. COMMISSION PRESIDENT ORTOLI'S CHEF DE CABINET DE MARGERIE OUTLINED TO US THE AREAS WHICH ORTOLI WISHES TO DISCUSS IN HIS WASHINGTON CONVERSATIONS WITH THE PRESIDENT AND WITH SECRETARY SIMON, CHAIRMAN BURNS AND ACTING SECRETARY INGERSOLL AS FOLLOWS:

1) THE CURRENT STATE OF THE EUROPEAN COMMUNITY AND ITS EFFORTS TOWARD FURTHER INTEGRATION;

A) THE CONSTITUTIONAL ISSUES OF RELATIONSHIPS AMONG THE MEMBER STATES AND THE COMMUNITY RAISED IN THE TINDEMANS REPORT;

B) THE TINDEMANS SUGGESTIONS FOR A NEW FORM OF THE US/EC DIALOGUE.

2) THE POLITICAL ISSUES OF SOUTHERN EUROPE:

A) ESPECIALLY GREECE, SPAIN AND PORTUGAL;

B) SECONDARILY, THE MAGHREB AND MASHRAQ ARRANGEMENTS AND THE EURO/ARAB DIALGUE.

3) THE GENERAL PROBLEM OF POTENTIAL US RESTRICTIONS AGAINST EUROPEAN EXPORTS, E.G., STEEL.

4) THE ECONOMIC SITUATION IN EUROPE AND AMERICA:

A) THE RECOVERY FROM THE RECESSION, UNEMPLOYMENT, ETC.;

B) THE INTERNATIONAL MONETARY SITUATION.

T) THE NORTH/SOUTH DIALOGUE.

3. DE MARGERIE HAS BEEN TOLD, PRESEMAPLY BY EC DEL WASHINGTON, THAT PRESIDENT FORD WOULD PREFER TO CONCENTRATE THEIR TALK ON POINTS 2 AND 4. DE MARGERIE ANTICIPATES, HOWEVER, THAT ORTOLI WILL WANT TO DISCUSS THE OTHER POINTS DURING THE COURSE OF HIS MEETINGS WITH OTHER US OFFICIALS.

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4. ORTOLI REGARDS HIMSELF AS AN ECONOMIST AND AS A CONCEPTUAL THINKER ON EUROPEAN PROBLEMS. HE REALIZES THAT THE TRIP TO WASHINGTON WILL INVOLVE DECISIONS ON NEITHER SIDE BUT WILL PROVIDE AN OPPORTUNITY FOR EACH SIDE TO LISTEN. THOUGH THERE ARE FEW RESULTS THAT CAN COME FROM A DISCUSSION OF THE ECONOMIC SITUATION, ORTOLI WILL CONSIDER THIS A BASE FOR MANY OF HIS OTHER REMARKS AND ONE IN WHICH HE IS PERSONALLY

INTERESTED. AS DO MANY OTHER EUROPEANS, HE SEES THE ROLE OF THE US IN THE EUROPEAN RECOVERY AS A VERY IMPORTANT ONE, NOT ONLY IN THE TRADE FIELD BUT ALSO IN THE CREATION OF AN ATMOSPHERE TO ENCOURAGE A BALANCED RECOVERY WITHOUT RESTIMULATING INFLATION. IT WILL BE IMPORTANT THAT HE HEAR DIRECTLY FROM THE HIGHEST US LEVELS ABOUT THE CONFIDENCE, WHICH IS SO MUCH MORE WIDELY SPREAD IN THE UNITED STATES THAN IN EUROPE, ABOUT PROGRESS IN THE ECONOMIC RECOVERY AND OUR ABILITY TO HOLD THE LINE ON INFLATION.

5. THE TRANSITION FROM STRONG REGIMES IN SPAIN AND PORTUGAL AND THE GREEK STRUGGLE TO REESTABLISH A DEMOCRATIC SYSTEM HAVE INSERTED THEMSELVES IN THE FOREFRONT OF COMMUNITY THOUGHT. AT THE SAME TIME, THESE ISSUES HAVE PROVIDED OPPORTUNITIES FOR THE NINE TO MAKE SUBSTANTIAL PROGRESS IN HARMONIZING THEIR FOREIGN POLICIES AND FOR THE UNITED STATES AND THE COMMUNITY TO HAVE REENFORCED OUR CHANNELS OF COMMUNICATION. IN GREECE THE COMMUNITY'S ROLE AS A POLE OF ATTRACTION AT A TIME WHEN AMERICAN POPULARITY HAS BEEN LOW HAS BEEN A STABILIZING FACTOR. ORTOLI WILL BE MOST INTERESTED IN HEARING THE PRESIDENT'S PERSONAL VIEWS OF THESE DEVELOPMENTS AND THE ROLES WHICH HE BELIEVES EACH OF US SHOULD PLAY IN THEM.

6. AS REGARDS SPAIN, WE RECOMMEND ORTOLI BE ENCOURAGED TO WORK FOR A FORTHCOMING EC POSTURE CONCERNING FUTURE COMMUNITY RELATIONS WITH SPAIN IN PARTICULAR, WE SHOULD STRESS IMPORTANCE TO ATLANTIC ALLIANCE OF BRINGING SPAIN GRADUALLY INTO THE MAINSTREAM OF THE WESTERN EUROPEAN SYSTEM AND OUR EXPECTATION THAT A NEW DEFINITION OF SPAIN'S FUTURE RELATIONSHIP WITH THE EC WILL BE CRITICALLY IMPORTANT IN THIS PROCESS. ON GREECE, WE RECOMMEND THAT THE PRESIDENT INDICATE, IN MORE POSITIVE FASHION THAN LANGUAGE OF CURRENT

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GUIDANCE, THAT US WELCOMES RECENT EC DECISION TO OPEN NEGOTIATIONS WITH GREECE FOR FULL MEMBERSHIP, AND STRESS OUR HOPE THAT COMMUNITY AND MEMBER STATES WORK CLOSELY WITH US DURING THE NEGOTIATION PERIOD TO TRY AND STIMULATE CONSTRUCTIVE SOLUTION TO CYPRUS PROBLEM.

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C O N F I D E N T I A L SECTION 2 OF 2 EC BRUSSELS 01586

7. DE MARGERIE SAYS THAT DESPITE THE PRESIDENT'S PREFERENCE TO AVOID DISCUSSION OF POTENTIAL TRADE ACTIONS AFFECTING THE COMMUNITY'S EXPORTS, ORTOLI STILL HOPES TO CALL THE PRESIDENT'S ATTENTION TO THE SERIOUSNESS WITH WHICH THE EC VIEWS THIS PROBLEM. WE ANTICIPATE THAT HE WILL ALSO WISH TO DISCUSS THIS QUESTION WITH THE SECRETARY OF THE TREASURY AND THE ACTING SECRETARY OF STATE. WE ALSO RECOMMEND THAT OPPORTUNITY BE FOUND FOR SIMILAR DISCUSSION WITH AMBASSADOR DENT. AFTER THE RELATIVE SUCCESS OF THE INDUSTRIAL COUNTRIES IN ABIDING BY THE OECD TRADE PLEDGE, AT LEAST FOR INDUSTRIAL PRODUCTS, THE COMMUNITY IS TRULY FEARFUL OF WHAT TO EXPECT ON MARCH 16, WHEN THE PRESIDENT HAS TO RULE ON THE SPECIALTY STEEL ESCAPE CLAUSE. SHORTLY AFTER WILL COME DECISIONS ON SHOES AND AUTOMOBILES, AS WELL AS THE POSSIBILITY OF AN APPEAL TO THE COURTS ON TREASURY'S JUDGMENT ON THE STEEL TVA COUNTERVAILING DUTY CASE. WHEN ORTOLI RAISES THESE SUBJECTS, WE BELIEVE IT WOULD ALSO BE VERY USEFUL FOR US OFFICIALS TO MENTION OUR CONCERNS, ESPECIALLY IN REGARD TO THE PROPOSAL FOR A DEPOSIT/ MIXING REGULATION AFFECTING OUR SOYBEAN EXPORTS AND OUR OPPOSITION TO THE COMMISSION'S PROPOSAL TO INCLUDE A GSP TOBACCO CONCESSION IN ITS MTN TROPICAL PRODUCTS PACKAGE.

8. THOUGH NO ONE WISHES THE US TO BE A PARTICIPANT IN THE DEBATE ON TINDMANS' RECOMMENDATIONS ABOUT WHERE EUROPE
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SHOULD BE HEADING, ORTOLI WILL BE EAGER TO KNOW HOW THE US REGARDS EUROPEAN INTEGRATION. HE HAS A STRONG BELIEF THAT THE TINDMANS REPORT IS INSUFFICIENTLY AMBITIOUS AND CONSTITUTES A LOST OPPORTUNITY TO MARSHAL EUROPEAN OPINION IN FAVOR OF

MORE AMBITIOUS STEPS FOR UNITY. THE MEMBER STATES ARE MORE CAUTIOUS. IT WOULD BE OF INTEREST TO HEAR WHAT ORTOLI BELIEVES IS PRACTICAL. IN ANY CASE, WE SHOULD USE THE OPPORTUNITY TO DRAW ORTOLI OUT ON A RELATED ISSUE WHICH IS OF DIRECT CONSEQUENCE TO THE UNITED STATES: TINDEMANS' SUGGESTIONS FOR A NEW US/EC DIALOGUE. ORTOLI'S OPINIONS ON THIS POINT APPEAR TO BE SUBSTANTIALLY THE SAME AS THOSE EXPRESSED IN REFTELS C AND D. ASSUMING HE EXPRESSES HIS VIEWS ALONG THESE LINES, WE BELIEVE IT WOULD BE USEFUL TO GIVE HIM TO UNDERSTAND THAT HIS SCEPTICISM ABOUT THE VALUE OF A DIALOGUE ABOUT THE "CHARACTER AND SCOPE" OF OUR RELATIONS IS SHARED IN WASHINGTON.

9. THE NORTH/SOUTH DIALOGUE RANKS HIGH IN THE COMMUNITY'S DAY-TO-DAY PREOCCUPATIONS. FOR TWO REASONS IT IS PROBABLY THE MOST LIVELY CURRENT ISSUE AFFECTING THE COMMUNITY AS SUCH. FIRST IT IS ESSENTIALLY AN ECONOMIC ISSUE, THUS ONE ORIENTED AROUND ONE OF THE COMMUNITY'S PRIMARY RESPONSIBILITIES. BUT SECONDLY, AND PERHAPS MORE IMPORTANT, THE COMMUNITY HAS EMBARKED IN THE DIALOGUE ON A NEW EFFORT TO SPEAK WITH ONE VOICE ON THOSE ASPECTS OF ECONOMIC AFFAIRS WHICH ARE NOT YET ENTIRELY WITHIN THE COMPETENCE OF THE COMMUNITY AS SUCH. THIS IS RECOGNIZED AS A LARGE MOVE FORWARD BY PARTISANS OF EUROPEAN INTEGRATION. WHILE PROBABLY A SOURCE OF TACTICAL FRUSTRATION FOR US, CERTAINLY DURING THE EARLY STAGES, A SINGLE EC INTERLOCUTOR CAN BE OF GREAT ASSISTANCE TO THE UNITED STATES IN THE NORTH/SOUTH DIALOGUE IF WE USE THE INSTRUMENTS OF INFLUENCE AVAILABLE TO US WITH IMAGINATION AND FLEXIBILITY. THIS IS AN AREA WHICH CAN CAUSE CONSTANT FRICTION IF NOT MANAGED CAREFULLY AND THUS IT IS ONE WHERE IT IS MOST IMPORTANT THAT LEADERS ON BOTH SIDES UNDERSTAND THE PROBLEMS AND AGREE ON THE NEED FOR CLOSE COOPERATION TO HOLD POTENTIAL IRRITANTS WITHIN BOUNDS. WE BELIEVE ORTOLI WOULD BE PARTICULARLY INTERESTED IN OUR VIEWS AS TO WHAT THE CIEC SHOULD ACCOMPLISH, HOW IT SHOULD BE RELATED TO THE NAIROBI UNCTAD SESSION AND WHAT OUR COMMON OBJECTIVES FOR NAIROBI SHOULD BE. HINTON
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